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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 001679

SIPDIS

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SUBJECT: VIRTUAL BLOCKADE STILL ON; INDUSTRIES REMAIN
CLOSED; MAOIST VIOLENCE CONTINUES; UK ENVOY'S VIEWS

REF: KATHMANDU

Classified By: Ambassador James F. Moriarty, Reasons 1.4 (b/d)

SUMMARY

1. (C) Over the weekend, Maoist violence continued around the country, but Kathmandu Valley remained relatively calm. Late August 21, the Maoists attacked government offices in Jumla, destroying several governmental buildings. Also on August 21 suspected Maoists shot an assistant police sub-inspector about four kms north of the capital and in the same area on August 23 killed a civilian. Traffic in and out of the Valley is still below normal. Major industries remain shut, despite government assurances of security protection and appeals to reopen.

MAOISTS ATTACK IN JUMLA

2. (C) On August 21, Maoists attacked Khalanga, a mountain town that is the headquarters of the Jumla district; the attack lasted from about 11:00 p.m. to 2:00 a.m. While one group of Maoists fired on the military base, other groups that had infiltrated the town torched the police station, the jail, the district court, the land revenue office, and the district office, and looted two civilian homes. RNA sources report that most of the government buildings were empty. Between one and four Maoists and one RNA soldier were reported killed. Six prisoners fled during the attack, although police sources report that three have returned. The Maoists took some policemen and a land revenue officer hostage. Police sources also said that they captured some old rifles and shotguns (not M-16s or INSASes).

THE VIRTUAL BLOCKADE

3. (C) Traffic movement in and out of Kathmandu Valley has not improved, even though the press reported that it had picked up some over the weekend. As of 2:00 p.m. Monday traffic was less than it had been on Friday on two of the three major arteries and the total number of trucks and buses going in and out of Kathmandu Valley was significantly less today than it had been on Friday. Another notable change since Friday was on the road going East to Bhaktapur and continuing north to Thatopani; according to police sources, there were no buses or trucks on the road today. As of 2:00 p.m. Monday, on the west and south Prithvi-Tribhuvan Highway a total of 543 vehicles (90 buses, 77 mini-trucks, 204 light vehicles, and 172 motorbikes) had traveled. On the road north to and from Nuwakot, a total of 187 vehicles (15 buses, 2 mini-trucks, 81 light vehicles, and 89 motorbikes) had traveled. The drop comes despite repeated government offers to provide escorts, RNA assurances, and the press printing photographs of RNA escorting convoys and providing aerial surveillance. There are still no reports of any violence or physical barriers on the way to or from Kathmandu Valley. On August 23 afternoon, Emboffs traveled just beyond the edge of the Kathmandu Valley and confirmed traffic was light. They did not observe any overt Maoist roadblocks or other activity on the Prithvi-Tribhuvan highway. They saw a mix of civilian and armed police forces observing traffic.

SHOOTINGS IN KATHMANDU VALLEY

4. (SBU) There have been two shooting incidents in the same area about four kms north of the capital over the last two days. On the morning of August 21, an Assistant Police sub-inspector died while undergoing treatment after being shot. A civilian was killed in his home the morning on August 23. Police suspect Maoists are the perpetrators because of the weapon used and the assassination-style of the shootings. RSO is developing more information regarding the motives for the shootings.

INDUSTRY SHUTDOWN AND OTHER ACTIVITIES

15. (SBU) The Maoist-threatened industries remain closed. Government spokesman Minister of Information and Communications Dr. Mohammad Mohsin told the press August 21 that in its meeting the day before, the Cabinet had decided to make public the whereabouts of the detained Maoists within a month. This would meet one of the Maoists' primary demands made of the industries. The companies told the press that they hoped that the government's statement would have a positive impact and that an understanding could be reached that would allow them to reopen. The morning of August 22, people involved in industry, trade, tourism and hotels took part in a rally organized by the Federation of Nepalese Chamber of Commerce and Industries (FNCCI), Nepal Chamber of Commerce (NCC) and the Hotel Association Nepal. The Victims of Maoist Violence also were out. The Bottlers Nepal general Manager estimated that about 700 Coca-Cola employees participated and between 8,000 and 10,000 total took part in the rally. The rumored general strike (or bandh) did not occur on August 23rd.

UK SPECIAL ENVOY UPBEAT

16. (C) In an August 20 meeting with the Ambassador, UK Special Envoy Jeffrey James said he thought the current Nepali government was as good as could be hoped for - it knew what it had to do and was setting about it the right way. However, he cautioned that the government could not take too long before it entered talks with the Maoists. James was finishing a week of consultations with various players about a possible peace process. In response to the Ambassador's question as to why the Maoists would want to negotiate now, James stated that the Maoists knew that if the legitimate political forces were united, they would win and the trend was in the direction of the parties getting together. He added that the Maoists knew they would have problems governing, in large part because of the attitude of the GOI. ("The Indians would implement a blockade and topple a Maoist government within a week." (sic)) James expressed some concern about the role of the Palace. He advised that the King should give full authority to Prime Minister Deuba along with clear instructions on the course ahead. (The Ambassador noted that both the King and Deuba believed that the Prime Minister had been granted such authority over future talks.) James also warned that the King should tell the RNA to be careful. James concluded that he thought the government had two to five months to act and that talk of elections was irrelevant at this time.

MORIARTY